



# Financial Advisor Compensation Plan

Effective January 2010

For internal use only

CONFIDENTIAL

UBS 00088

# Table of Contents

Production Payout .....	1
Strategic Objective Awards .....	8
Recognition Councils .....	12
Teams, NFAs and Private Wealth Advisors.....	13
UBS PartnerPlus/UBS Financial Advisor Deferred Award Plan.....	14
Wealth Protection Programs .....	16
Expense Allowance Programs.....	18
Length of Service Policy .....	19
Arbitration.....	20
Conclusion .....	21

For internal use only

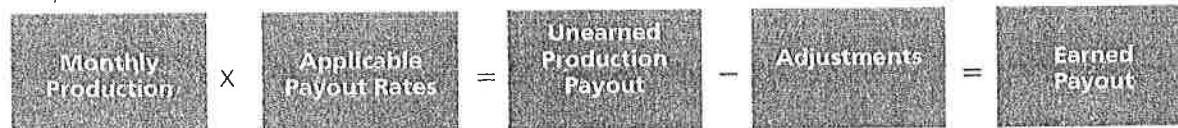
# Production Payout

Your "production" (sometimes called "gross" production) is the product-related revenue credited to you by Wealth Management Americas ("UBS" or "the firm"). Under this Plan, you will be entitled to receive an earned "payout" derived from a percentage of your production less lawful adjustments. Adjustments may include, for example, customer fees waived by you; compensation and benefits for a Client Service Associate (CSA) or other employees; the cost of seminars you elect to attend; the costs of certain miscellaneous goods and services; overpayments; charge-backs arising out of a customer or other third party reversing or failing to pay or to close a transaction; certain registration and consulting fees; production draws; transaction-related expenses (including brokerage and clearing fees on commodity products, as described herein); and payments made under the UBS Retirement Enhancement and Transitioning Financial Advisor (TFAP) programs.

Because your earned payout is net of adjustments, and not based solely on a percentage of your production, it is not earned until all such adjustments have been made. In addition, you will earn your payout (or other production-related compensation) as long as the underlying transaction(s) comply with governing laws, rules of the self-regulating organizations and firm policies.

Your "payout rates" are the percentages applied to your production (as described herein) to determine your unearned production payout before adjustments.

## Example



If you desire certain adjustments to be made as set forth in this Plan, UBS may require you to authorize them in writing. In these instances, UBS will provide the authorization forms/vehicles necessary to carry out your wishes regarding these adjustments.

For internal use only

1

**Standard Grid**

"Standard grid" production generally includes production for all products. Your trailing 12-month standard grid production determines your applicable payout rate for your current month's standard grid production, as shown in the following chart:

Trailing 12-month standard grid production		Standard Grid Rate	Wrap/Insurance/Annuity Rate
From	To		
\$3m	+	45%	48%
\$1.75m	\$2.99m	44%	47%
\$1m	\$1.749m	43%	46%
\$750,000	\$999,999	42%	45%
\$600,000	\$749,999	41%	44%
\$400,000	\$599,999	39%	42%
\$300,000	\$399,999	35%	38%
\$250,000	\$299,999	33%	36%
\$200,000	\$249,999	30%	33%
\$0	\$199,999	28%	31%

**Additional Terms and Conditions**

- There will be no payout on equity tickets less than \$100 or option tickets less than \$50.
- The payout rate for directed business processed via split numbers from the Prime Broker Desk (e.g., IJ) is 29%.
- RMA®, Business Services Account (BSA®), IRA and Basic Account Fees are included in your production for the purpose of calculating standard grid payout rates; however, you will not receive nor earn any payout related to these items.
- Listed equity and over-the-counter commissions discounted below \$50 will automatically be increased to \$49.99. For example, a pre-discounted ticket of \$60 is discounted 50% to \$30. The ticket will automatically be increased to \$49.99. Option commissions discounted below \$35 will automatically be increased to \$34.99. Commodity commissions discounted below \$30 will automatically be increased to \$29.99.
- Payout rates for production generated in RIS and IEG accounts are calculated as follows:
  - Equity and municipal (excluding muni-negotiated new issue) production: 29%.
  - TFI new issue (including APS and ARCs), TFI secondary and muni-negotiated new issue: standard grid minus 10 percentage points.
  - Standard TFI sales credit: 60%. The Core RIS FAs, and those with at least \$25,000 in standard TFI sales credits, will be eligible to participate in a year-end discretionary bonus.
  - IEG accounts are paid based on the IEG compensation memo which can be found on the firm's intranet under *P&S WMUS/Transaction Products US/Regional Institutional Sales (RIS) Equities*.
- Production credits on bank sweep/money fund balances (FDIC, Money Funds, IDA, Puerto Rico Short-term Investment Funds) of 4 bps (annualized) are subject to grid payout. Credits will be booked monthly based on the average balances of the prior month.
- CEFS Compensation Policies-  
The payout on business related to ongoing corporate relationships with companies assigned by Corporate Employee Financial Services (CEFS) is as follows:

- **Exercise Revenue:** CEFS plan-based transactions (i.e., stock option exercises, stock purchase plan share sales and sales of restricted stock).
- If the CEFS participant does not have a full-service account at UBS with a CEFS FA, FA receives 100% gross with a 22% payout (no ticket adjustment).
- If the CEFS participant has one or more full-service accounts at UBS (in their marketing household) with a CEFS FA, standard grid payout will apply on the exercise account (subject to normal firm ticket adjustment) as long as the household is not otherwise a "small household".
- There will be a three-month look back on CEFS plan transactions based on the initial reinvestment account open date.

Note: For CEFS participant trades generating \$49.99 or less in revenue, there will be no payout earned. This will be true for all CEFS participants, both for those relationships with and without a full-service reinvestment account at UBS. The gross revenue generated on these trades will be included for purposes of calculating gross production, deferred awards and recognition council.

- **Plan Admin Revenue** (revenue derived from CEFS charges to corporate clients for administrative services, e.g., Admin Fees)
- Net payment equal to 10% of the admin revenue for each corporate client will be paid annually at the end of the calendar year, or shortly thereafter. No gross production will be credited for these payments. FAs must be employed at the time of payment in order to earn or receive such payments.

Note: CEFS home office will continue to maintain sole discretion in determining which corporate fees are eligible. For example, the foregoing may not apply if the Lead FA and CEFS mutually agree to be aggressive on pricing (i.e., deviate from standard corporate client and participant fee structures) to win a new prospective corporate client or retain an existing corporate client. Any such change to standard pricing will be mutually agreed upon between CEFS and the Lead FA prior to offering to the corporate client and implementing.

- **Reinvestment Revenue:** Production is subject to the standard grid payout rate (subject to normal firm ticket adjustments).
- CEFS supports the partnering of Lead Financial Advisors with Reinvestment FAs (Network FA). When the Reinvestment FA opens a retail account with a CEFS participant, the Reinvestment FA will split the Gross Production with the Lead FA 70% / 30% respectively.

**Note:** Three years after a CEFS Corporate Client leaves UBS, the Reinvestment FA and Lead FA split arrangement will be modified to 90% / 10% respectively.

- **Commodity and Futures**
  - The payout rate for Commodities and Futures Business is a flat 30% rate (or grid rate if it is lower than 30%).
  - Brokerage and clearing fees on commodity products are adjusted before the payout rate is applied, unless:
    - The ticket is not discounted
    - The ticket is \$250 or greater and the contract rate is \$20 or more
    - The ticket is \$1,000 or greater and the contract rate is \$15 or more
  - A commodity futures ticket, for the purpose of this Compensation Plan, is defined as the closing of an existing position ("a round turn"). Identical contracts (i.e., for the same commodity, side and month) traded on the same exchange and closed out on the same day in the same account are aggregated as one ticket. Identical options on futures contracts (i.e., for the same side, strike price, premium and expiration month) traded on the same exchange and opened on the same day in the same account are aggregated as one ticket; similarly, identical options on futures contracts closed on the same day are aggregated as one ticket.
- Payout rates for referral fees to and from the Global Referral Desk are calculated as follows:
  - For referrals to the Global Referral Desk, FAs receive credit for one-third of the revenue as production credits at a 65% payout rate for four years. Thereafter, the FA receives no further payout related to the referral.

- For referrals from the Global Referral Desk, FAs will receive credit for two-thirds of the revenue at the standard grid payout rate for four years and credit for 100% of the revenues thereafter for as long as the referral program remains as is.
- Additional information can be found by visiting [goto/globalreferrals](http://goto/globalreferrals).
- Financial Advisors that have qualified for directed business will be credited 75% of the gross sales credits on transactions executed by the Equity Trading Desks in a split FA number (e.g., QA01). Payout rate is standard grid to a maximum of 38%.
- Financial Advisors (FA) can partner with accredited Private Wealth Advisors (PWA); the financial terms of the arrangement are:

Gross Production, Assets and Expenses		
	Introducing Financial Advisor	Private Wealth Advisor
First Year	50%	50%
Second Year	50%	50%
Thereafter	40%	60%

Net New Assets and Credit Lines		
	Introducing Financial Advisor	Private Wealth Advisor
First Year	100%	50%
Second Year	50%	50%
Thereafter	40%	60%

- FAs will not receive nor earn any payout on equity and option production in employee accounts if that employee account receives a discount other than the standard employee discount of 50%. These revenues will count toward total production.
- Production credits and the potential related payouts on syndicate transactions become earned only after the close of the penalty bid period and upon verification that the client retained the position until that time and that the transaction or transactions complied with applicable laws, rules and policies. Production credits on syndicate transactions will be advanced, but will not be earned until the previously mentioned conditions have been satisfied. If production credits are advanced and the pre-conditions to earning are not met and/or your employment is terminated, at the firm's discretion, UBS will recoup the unearned syndicate payment in the form of an adjustment to your unearned standard grid payout. If the amount

of unearned advances exceeds the amount of your unearned grid payout, you must immediately repay the firm any outstanding unearned advances.

#### **Ticket Adjustments**

Financial Advisors receive \$12 less for all listed equity, over-the-counter (principal and agency) and option trades.

- Transactions with the same security, side, date and account are aggregated as one ticket.
- Transactions covered under the wrap fee in Strategic Advisor and managed accounts are not subject to the ticket adjustment.
- No ticket adjustment will apply to the following transactions:
  - Equity RIS transactions with a leveled payout rate
  - Directed business processed via split FA numbers from the Equity (e.g., QA) and Prime Broker (e.g., IJ) desks with a leveled payout rate
  - Production generated by FAs who are capped at a leveled payout rate based on their prior-year production and NYSELOS
  - Exercise revenue on CEFS accounts with a leveled payout rate of 22%
  - Preferred and convertible transactions (both agency and principal)
- The ticket adjustment will not result in a payout below zero for any individual transaction.
- A reduced ticket adjustment may apply to New Financial Advisors (NFAs) in the Development Program. Please refer to the NFA Compensation Plan applicable to you.

#### **Investment Solutions (IS) Wrap/Advisory Fees**

- Payout rates for wrap/advisory fees in an Investment Solutions managed account program will be the standard grid payout rate plus three percentage points. If 12B-1 fees are credited to Financial Advisors in the program, the standard grid rates will apply.
- Products include:
  - Managed Accounts Consulting ("MAC"); Consulting/FA fee only
  - Portfolio Management Program (PMP)
  - Premier Portfolio Management Program (PPM)
  - UBS Selections<sup>SM</sup>
  - ACCESS<sup>SM</sup>
  - PACE<sup>SM</sup> Multi Advisor
  - PACE<sup>SM</sup> Select
  - Institutional Consulting (formerly Prime Asset Consulting)
  - UBS Fiduciary Trust Company: Consulting/FA fee only



- Private Wealth Solutions<sup>SM</sup>: Consulting/FA fee only
- UBS Strategic Advisor
- Strategic Wealth Portfolio and Unified Management Account: Consulting/FA fee only
- UBS Managed Portfolios, which currently includes UBS Managed Portfolio of Global Selections, UBS Managed Portfolio of Mutual Funds, and UBS Managed Portfolio advised by Gradison: Consulting/FA fee only

Only Financial Advisors subject to this Compensation Plan are eligible for this payout. NFAs in the 2007 Compensation Plan are not eligible for this payout.

#### Monthly Production Credits (Advisory Fees)

All initial and quarterly fees ("Advisory Fees") billed through the firm's managed accounts billing system ("MAB" system) will be credited on a monthly basis according to the following rules:

- Clients pay Advisory Fees in quarterly payments ("Quarterly Advisory Fee"). Monthly production credits for each month during the quarter covered by the Quarterly Advisory Fee reflect the number of days in each respective month the account remained with the firm, determined as follows: (Quarterly Advisory Fee *divided by* # of days in quarter) *multiplied by* number of days in the month the account remained with the firm.
- In the month of November (each year), the firm will advance you a net production credit advance for the projected payout relating to the anticipated December fee revenue for that year.
  - If the preconditions to earning the advanced November production credits are not met (see below), UBS will recoup the unearned payment in the form of an adjustment to your unearned standard grid payout. If the amount of unearned advances exceeds the amount of your unearned grid payout, you must immediately repay the firm any outstanding unearned advances.
- Notwithstanding the above, in order to earn a monthly production credit, you must be the FA of record for the account on the monthly settlement date (as reflected in Business Analysis) for the particular month. That is, if your employment terminates for any reason prior to the settlement date, you are not entitled to a production credit for that month or any month thereafter, irrespective of whether the account remains with the firm. Instead, the FA of record on the client account on

the settlement date of the month will be deemed to have earned the monthly production credit for that month.

There may be certain advisory fees not billed through the MAB system that the firm advances to an FA. Such fees are earned incrementally on a pro rata basis based on the number of days that the account remains with the firm during the period for which the fees were collected; however, the advisory fee production cannot be earned by an FA for any period after the FA's employment with the firm terminates, regardless of the reason for such termination and regardless of whether the account remains at the firm after the FA's employment terminates.

If an account for which fees were advanced leaves the firm or the FA leaves the firm, UBS will recoup any unearned advance in the form of an adjustment to the FA's unearned standard grid payout. If the amount of the unearned advance exceeds the amount of the FA's unearned grid payout, or the FA has no payout because he/she has left the firm, the FA must immediately repay the firm any outstanding unearned advances.

#### Lending

##### Credit Lines

Financial Advisors will receive gross production credits per year on non-purpose loans booked in a Credit Line account as follows: Net Spread -20 bps (Net Spread is defined as spread over LIBOR). For loans with higher risk (i.e., single stock), the production credit will be based on the spread less 20 bps, less an additional risk cost calculation, as determined in the sole and absolute discretion of the firm. Production will be credited only on the drawn portion of the Credit Line for the number of days that the loan is outstanding.

Credit Line production is included in your production for the purpose of calculating standard grid rates with a flat payout rate of 8.5% for the first \$100 million of a single loan balance and 2% for the incremental loan balance exceeding \$100 million.

- Variable Rate Loans  
Production credits on a variable rate loan (including Premier Variable Credit Line, Prime Credit Line and UBS Financial Services Credit Line) are credited based on the actual net spread for the quarter. Production is credited at the end of each calendar quarter for that quarter.

##### Example:

*A client opens a \$1,000,000 Credit Line on March 22, 2010, priced at LIBOR+155 bps, which remains*

continuously drawn at the same \$1,000,000 through June 21, 2010. The FA will receive a production credit in June 2010 of \$3,450.00 ( $\$1,000,000 \times 1.35\%$  (Net Spread of 155 bps – 20 bps)  $\div$  360 interest days  $\times$  92 interest days in the quarter). The unearned production payout is \$293.25 ( $\$3,450 \times 8.5\%$ ).

- **Fixed Rate Loans**

Production credits on a Premier Fixed Rate Credit Line with a maturity of one year or less are based on projected net spread. The production will be credited at the end of the month in which the loan was booked.

If a loan's maturity is greater than one year, the first year's production credit will be received in the month it is booked, and subsequent production credits will be credited on each annual anniversary.

*Example 1:*

A client opens a \$1,000,000 Fixed Rate Credit Line priced at LIBOR + 155 bps on January 17, 2010, with a maturity date of January 17, 2011, the FA will receive a \$13,687 production credit ( $\$1,000,000 \times 135$  basis points (1.35%))  $\div$  360  $\times$  365 interest days. The unearned production payout is \$1,163.40 ( $\$13,687 \times 8.5\%$ ).

*Example 2:*

If the loan above had a two-year maturity, the FA would be credited with \$13,687 in January 2010 and again in January 2011.

Production credits for variable and fixed rate loans booked during the last four business days of the month will be credited in the following month.

**Margin**

FAs receive no production credit and are not compensated on purpose (margin) loans.

**Residential Mortgages**

FAs are credited with a one-time production credit that varies based on the number of loan referrals that have funded, per FA number, in the year. For the first three funded loans, the production credit is 50 basis points. For the fourth loan forward, the production credit is 75 basis points. There is no retroactive adjustment on the first three loans.

Example 1: FA originates one \$500k mortgage  
If FA originates a \$500k mortgage; FA will receive a production credit in the amount of \$2,500 ( $\$500,000 \times 50$  basis points) which will be paid at the FAs standard grid rate.

Example 2: FA originates four \$1M mortgages

If FA originates four \$1 million mortgages; FA will receive production credit for the first three loans in the amount of \$15,000 ( $\$3,000,000 \times 50$  basis points), the fourth loan will generate a production credit in the amount of \$7,500 ( $\$1,000,000 \times 75$  basis points). All production will be paid at the FAs standard grid rate.

**Employee Mortgages**

Employees who finance their mortgage through UBS Mortgage have the ability to reduce the closing costs associated with the loan by an amount equal to 50 basis points of the loan. FAs receive production credit but are not compensated on employee mortgages.

**Example 1: Employee Loan**

For a \$500,000 mortgage that has no origination fee (a zero point quote), you will receive the same interest rate that is quoted to clients; however, we will also take 50 basis points, or \$2,500, and apply that toward your closing costs. Or, you can use the initial \$2,500 to buy down the interest rate on your mortgage.

All eligible mortgages closed since January 1, 2010 are subject to the new compensation plan. Starting mid-May, the compensation system will be updated to reflect the 2010 mortgage compensation plan and a one-time "catch-up" payment will be made to reflect incremental net payout on mortgages closed since January 1, 2010.

**Letters of Credit**

Production credits for Letters of Credit are calculated as a percentage of the letter of credit fee and added to the FA's overall production credit which is paid at the standard grid payout rate.

Please refer to the *Products & Services WM Americas* section of the firm's intranet for further information on loan products.

**Cap Plan Policy**

The 2010 Cap Plan Policy applies to FAs hired prior to 1/1/09, with a NYSELOS of 8 years or more (per LOS policy in FA Compensation Plan) and with 2009 production of less than \$250,000 or a June 30, 2010 trailing 12 of less than \$300,000. Under the Cap Plan, the FA will be subject to a 20% payout on all business (including wrap fees, insurance and annuities), except:

- Small ticket and small household policies will apply.
- Credit Line payout rules apply (e.g., 8.5% payout on Credit Line)
- No payout on RMA/BSA/IRA/ Basic Account Fees



FAs on the Cap Plan will need to produce \$300,000 in 2010 to uncapped. If uncapped, FAs will receive a one-time payment equal to the difference between what was actually received in 2010 and what would have been received under the standard plan had the payout not been capped.

FAs will be eligible for the Asset and Credit Line Growth Award but will not be eligible for other Strategic Objective Awards while capped. This policy applies to all FAs including those on Signature Teams.

#### Small Household Policy

Generally, there will be no compensation on households (based on "marketing household" as defined by the firm) with less than \$50,000 in assets. Impacted households will be identified quarterly (e.g., June 30 for the 3rd quarter). At the end of each month, the account base will be reviewed and any households which become eligible for compensation will be removed and will be included for the remainder of that quarter. In addition, FAs will receive retroactive credit for the month the household(s) became eligible.

Households are subject to this policy if the oldest account in the household has been open for at least 12 months.

Marketing households that contain any of the following accounts will be excluded from this policy:

- DVP
- RIS
- Business Services Account (BSA)
- Prime Broker accounts housed in the IJ wire code
- Corporate Cash
- Commodity/Futures
- Employee
- Corporate ERISA Plans (e.g., 401(k), Keogh...)
- UBS Trust Company and UBS Trust Designated Trustee Services
- CEFS Plan-related

The following production will receive a payout regardless of the size of the household:

- The wrap fee for managed accounts under a wrap fee and any trails related to the wrap program.

- Insurance and annuity transactions and trails.

Please note that any production related to the small households which does not generate a payout will not count toward driving the grid, Recognition Council, or Strategic Objective Awards.

#### Error Grid Reduction Policy

FAs generating errors (positive or negative) in excess of those noted in the chart below will have their grid rate reduced as indicated. Error rate is defined as the trailing three-month errors (negative errors and 25% of positive errors) over trailing three-month production.

Error Rate	Grid Rate Reduction <sup>1</sup>	Timing <sup>3</sup>
>1.0% ≤ 2.5%	-2% points	Following Quarter
>2.5% ≤ 5.0%	-3% points	Following Quarter
>5.0% ≤ 7.5%	-6% points	Following Quarter
>7.5% ≤ 10.0%	-8% points	Following Quarter
>10.0%	Minimum -10% points <sup>2</sup>	Following Quarter <sup>2</sup>

In addition to any grid reduction that may be implemented hereunder, the firm reserves the right to impose further discipline upon any FA, up to and including termination.

This policy will not affect the amount of your required minimum monthly draw.

#### Examples:

John's production for Q2 2010 is \$200,000. During that quarter, he has two negative errors totaling \$1,200. Since the error rate is less than one percent of production, there will be no impact to his grid in the following quarter.

Sue's production for Q2 2010 is \$120,000 and she had \$4,800 in errors (one \$10,000 positive error counted at 25% (\$2,500) and one \$2,300 negative error). This would result in a four percent error rate for the quarter. Her grid rate for the following quarter will be reduced by three points.

Frank's production for Q2 2010 is \$120,000 and he had \$7,000 in negative errors (5.8% error rate). His grid rate for the following quarter will be reduced by six points.

<sup>1</sup> Grid reduction on compensable production (capped at 110% of error amount used to determine the reduction)

<sup>2</sup> Management discretion on grid rate reduction and number of quarters the pay out is impacted.

<sup>3</sup> Following quarter is defined as the quarter commencing immediately after or within one or two months of the end of the quarter reviewed to determine the error rate.

# Strategic Objective Awards

## Asset and Credit Line Growth Award<sup>1</sup>

The firm grants an award based on net new assets and credit line growth based on year-end results.

- Net New Asset growth is defined as the value of securities and/or cash received into new and existing accounts offset by the value of securities and/or cash leaving these accounts.
- Credit Line growth is defined as the net change in outstanding Credit Line balances. Note: Paydowns of balances as of 12/31/03 (inception of award) will not be adjusted from the growth calculation in 2004 and thereafter.

The award is calculated on Net New Asset and Credit Lines beginning at \$5 million as follows:

Net New Asset and Credit Line Growth	Award <sup>1</sup>
First \$50 million (\$5 million minimum)	15 basis points
From \$50 million to \$100 million	10 basis points
From \$100 million to \$150 million	5 basis points
From \$150 million to \$200 million	2.5 basis points
\$200 million +	1 basis point

- Notwithstanding the foregoing, the award is capped at 5% of the Financial Advisor's production. For FAs that hit the 5% cap in 2009, the firm will carryover excess net new assets into 2010.
- RIS, Corporate Cash Management and Prime Brokerage (IJ) accounts are excluded from the award calculation. The firm reserves the right to exclude other types of institutional accounts in the future.
- Subject to the award definitions and rules set forth herein, 50% of the award is paid in cash by March 15 of the following calendar year (i.e., March 15, 2011); 50% is deferred. As with payouts for production related business, Asset and Credit Line Growth Awards are not earned until adjustments are taken into account.

Each FA is able to track his/her daily Net New Asset/Credit Line activity in the Business Analysis system. Award projections are updated monthly.

### Example 1

FA has 2010 Net New Asset and Credit Line growth of \$12 million. FA has 2010 production of \$450,000. Award is capped at  $\$450,000 \times 5\% = \$22,500$ .

### Award Calculation

\$12 million @ 15 bps	=	\$ 18,000
	Total	\$ 18,000
Cash Award is $\$18,000 \times 50\%$	=	\$ 9,000
Deferred Award is $\$18,000 \times 50\%$	=	\$ 9,000

### Example 2

FA has 2010 Net New Asset and Credit Line growth of \$55 million. FA has 2010 production of \$1,750,000. Award is capped at  $\$1,750,000 \times 5\% = \$87,500$ .

### Award Calculation

\$50 million @ 15 bps	=	\$ 75,000
\$5 million @ 10 bps	=	\$ 5,000
	Total	\$ 80,000
Cash Award is $\$80,000 \times 50\%$	=	\$ 40,000
Deferred Award is $\$80,000 \times 50\%$	=	\$ 40,000

### Example 3

FA has 2010 Net New Asset and Credit Line growth of \$24 million. FA has 2010 production of \$600,000. Award is capped at  $\$600,000 \times 5\% = \$30,000$ .

### Award Calculation

\$24 million @ 15 bps	=	\$ 36,000
	Total	\$ 36,000

This FA's award is capped at \$30,000 which is the equivalent of 15bps on \$20 million in Net New Assets. Cash Award is  $\$30,000 \times 50\% = \$15,000$ . Deferred Award is  $\$30,000 \times 50\% = \$15,000$ .

<sup>1</sup> The amount of an award may be adjusted by the firm based upon the Financial Advisor's disciplinary history as well as his/her compliance with firm rules, standards and policies and or the rules and regulations of applicable SROs.

**Award Definitions and Rules**

- All positions in DVP accounts, commodities, and option positions are excluded from the asset calculation.
- Assets must be new to our firm and held here (shown on UBS Financial Services Inc. client statements) on December 31, 2010, to generate credit for the award. New assets held away that are not reflected on aforementioned client statements will not count as new assets. Assets that come into other UBS business units (e.g., Global Asset Management, Hedge Fund Services, Investment Bank) through FA referrals will not count as Net New Assets. Documented asset referrals to/from banking centers in Wealth Management International will be included/excluded from Net New Assets, at the sole and absolute discretion of the firm. Assets reflected on the UBS statement as a "courtesy" are not included in Net New Assets.
- Market appreciation/depreciation is not included in the asset calculation.
- Dividends and interest received are not included in the asset calculation; however, cash out of an account will be offset by dividends and interest received during the year.
- If cash taken out of an account increases margin balances, the cash out will be offset by the margin increase.
- Activity related to assets and credit lines housed in split accounts will be allocated on the same percentage as production splits:
  - If an FA with a split arrangement leaves the firm, the remaining FA(s) becomes fully responsible for the assets and Credit Lines 12 months after the FA departs. If assets and Credit Lines leave during the first 12 months, the remaining FA's maximum liability is determined by the split arrangement.
  - If an FA with a split arrangement retires and the remaining FA keeps the account(s), the remaining FA(s) is fully responsible for all subsequent activity in the account(s).
- An FA becomes FA of record the day that his/her FA number appears on the account:
  - FAs who receive an account from an FA who leaves our firm will not be penalized for assets and Credit Lines that leave the account during the first 12 months.
  - FAs who receive an account from an active FA are fully responsible for the account and any subsequent activity.

- Qualified Plans (QP) Held Away—the net change for QP business held away with UBS Select providers. These assets are credited/debited at a weighting of 75%. Plans with non-UBS Select providers or programs are not eligible.
- FAs can partner with accredited Private Wealth Advisors (PWA) when there is an appropriate opportunity. The financial terms of the agreement are:

Time Period	Gross Production, Assets and Expenses		Net New Assets and Credit Lines	
	Introducing Financial Advisor	Private Wealth Advisor	Introducing Financial Advisor	Private Wealth Advisor
First Year	50%	50%	100%	50%
Second Year	50%	50%	50%	50%
There-a'fter	40%	60%	40%	60%

- Documented asset referrals to/from banking centers in Wealth Management International will be included/excluded from Net New Assets (at the sole and absolute discretion of the firm) for the first 12 months of the referral agreement. For example, if an FA refers an account, he or she will receive credit for the assets. If an FA receives a referred account, he or she will not receive net new asset credit.
- Restricted securities are considered new assets in 2010 if they become free to trade or are saleable in 2010. They will be credited automatically when they are moved into a SEG or BOX position. If not, you must notify the FA Compensation Department to get credit for those assets.
- For 2010, FAs will receive a Net New Asset credit equal to 50% of the value of assets moving to the investment center.
- Reassignment of departed FA's account are subject to the firm's Account Reassignment Policies.
- Financial Advisors paid under the Standard FA Compensation Plan are eligible for the award. Recruits become eligible once they have completed 12 months of production at our firm and are paid on the Standard Compensation Plan. NFAs on the 2004 and 2007 Compensation Plans are not eligible for this award. Prorated awards are calculated for FAs who are not eligible for the full 12-month period.

- The firm reserves the right to exclude certain assets if it decides, in its sole and absolute discretion, that inclusion of such assets is inconsistent with the spirit of the award.
- This award is conditioned upon and rewards continued employment with our firm. Thus, you must be employed by the firm as a Financial Advisor on the payment date to be entitled to receive the cash portion of the award, and on the vesting dates in order to earn and be entitled to the deferred portions.

#### Productivity and UBS Length of Service Awards

Deferred Productivity and UBS Length of Service Awards<sup>1</sup> are granted based on your current year's production.

The 2010 awards will be calculated as follows:

Productivity and UBS Length of Service Awards			
2010 Production	Productivity Award	UBS LOS Award	
		LOS 5 – 10 yrs.	LOS 10 yrs. +
\$3m+	4%	1%	2%
\$1.75m – \$2.9m	3%	1%	2%
\$1m – \$1,749m	2%	1%	2%
\$600k – \$999k	1%	1%	1%
\$400k – \$599k	1%	0%	0%

- FAs that do not qualify for awards based on the chart above but achieve Pacesetter will be eligible for a one percent productivity award and one percent UBS Length of Service Award (if UBS LOS qualifications are met).
- Awards are projected monthly based on year-to-date production and granted annually.
- Revenues subject to the small household policy will not be included when determining this award.
- Productivity and UBS Length of Service (LOS) Awards are granted not only based on productivity, but also continued employment. You must be employed by the firm on the award vesting dates in order to earn and be entitled to the award.

#### Recurring Revenue Award

The Recurring Revenue Award<sup>1</sup> provides FAs the potential to earn a deferred award of up to two percent of recurring revenues as follows:

- One percent awarded on recurring revenue if recurring revenue is greater than 75% of production. FAs must be employed (and producing) by 7/1/10 to be eligible to earn this award for 2010.
- One percent awarded on recurring revenue if recurring revenue growth from prior year is 25% or greater. FAs must be employed and producing prior to July 1, 2009, to be eligible to earn the 2010 award. For FAs hired between January 1, 2009, and June 30, 2009, their 2009 production will be annualized to determine the 2009 recurring revenues for comparison to 2010.

Recurring revenue is defined as wrap fees, Credit Lines, and trails on mutual funds, insurance, annuities and cash/money market balances. Revenues subject to the small household policy will not be included when determining this award.

- Awards are projected monthly based on year-to-date production and granted annually.

This award is conditioned upon and rewards continued employment with our firm. Thus, you must be employed by our firm on the award grant and on the vesting dates in order to earn and be entitled to the award.

#### Summary of Strategic Objective Awards

The Strategic Objective Awards will be allocated as follows:

	Deferred Awards		
	Cash	PartnerPlus/ FA Deferred Award Plans	Restricted Equity
Productivity Award	-	50%	50%
UBS LOS Award	-	50%	50%
Asset and Credit Line Growth Award	50%	25%	25%
Recurring Revenue Award	-	50%	50%

<sup>1</sup> The amount of an award may be adjusted by the firm based upon the Financial Advisor's disciplinary history as well as his/her compliance with firm rules, standards and policies and or the rules and regulations of applicable SROs.

- The PartnerPlus/FA Deferred Award Plan portion of the awards will vest 20% each year beginning after year 6 through year 10 and will be governed by and subject to the terms and provisions of the PartnerPlus/FA Deferred Award Plan.
- If the PartnerPlus/FA Deferred Award component is less than \$250, it will be paid in cash by March 15 of the following calendar year.
- The restricted equity portion will vest 100% after year six, subject to the provisions of the applicable plan rules in effect.
- If the restricted equity component is less than \$1,000, it will be paid in cash instead of restricted equity, no later than March 15 of the following calendar year.
- The restricted equity awards, including vesting, will be governed by (and subject to the provisions of) the plan rules in effect at the time of the award.
- These awards are conditioned upon and recognize continued employment with the firm. Thus, FAs must be employed by the firm on the payment date to be entitled to earn and receive the cash portion of the award and on the vesting dates to earn and receive the deferred portions.

#### **Strategic Objective Advance**

- Certain eligible FAs received cash advances versus the projected restricted equity portion of the awards for years 2009 – 2012 and the eventual restricted equity portion of the Strategic Objective Awards will be reduced by the amount of the advance related to each year.

#### **GrowthPlus**

- Certain FAs are eligible for the GrowthPlus program. It is an 8 year award program that credits FAs with 2% to 9% of their eligible production annually. The program includes up to 4 cash distributions. Eligibility is based on Firm LOS and production levels. There is a separate plan for New Financial Advisors.

For more details regarding GrowthPlus, please refer to the FA Compensation section of the UBS intranet at WM Americas/Human Resources/ Working at UBS/FA&NFA Compensation.



# Recognition Councils

There are three Recognition Councils at UBS for top-performing Financial Advisors. A targeted number of qualifiers will be set for each Recognition Council category as follows:

Year 2011 Council Level	NYSE Reg Date	2010 Recognition Council Production Ranking
Chairman's Council		Top 230 FAs
President's Council		Next 500 FAs
Pacesetter Council:		
	Prior to 7/03	Next 700 FAs
	7/03 – 6/05	Top 50 in NYSE LOS category
	7/05 – 6/07	Top 40 in NYSE LOS category
	7/07 – 12/10	Top 30 in NYSE LOS category

Each month, Financial Advisors can review their rankings, along with current projected production levels for each council. Hard-dollar production thresholds will be determined and communicated after the third quarter.

Production related to the small households which do not generate a payout will not count for Recognition Council.

In addition to production, the firm may consider the Financial Advisor's disciplinary history as well as his/her compliance with firm rules, standards and policies and/or the rules and regulations of applicable SROs when determining eligibility for Recognition Councils.



# Teams, NFAs and Private Wealth Advisors

UBS supports the development of teams, New Financial Advisors and Private Wealth Advisors. Separate plans for these participants exist that modify certain components of this plan.

For internal use only

13

CONFIDENTIAL

UBS 00102

# UBS PartnerPlus/UBS Financial Advisor Deferred Award Plan

## PartnerPlus Plan ("Plan")<sup>1</sup>

UBS PartnerPlus is a unique wealth accumulation plan designed to provide significant financial rewards to eligible FAs.

### Eligibility

All 2011 Recognition Council members (based on 2010 production) and all Financial Advisors who generate a minimum of \$400,000 in gross production during 2010 will have a portion of their 2010 deferred awards credited to UBS PartnerPlus and will be eligible to make a Voluntary Contribution in the year 2011.

### Base Plan

- Contributions to the PartnerPlus Plan may include a portion of the Productivity and UBS Length of Service (LOS) Awards, a portion of the Asset and Credit Line Growth Award, Recurring Revenue Award and Voluntary Contributions.
- The PartnerPlus Plan will credit interest on a tax-deferred basis, compounded annually at the following rates for each year's contributions:
  - Years 1 – 4 = "Turbo rate," defined as four times the "Market rate"
  - Years 5 – 10 = "Market rate"

**Note:** Currently, the Market rate reflects UBS short-term cost of funds rate, defined as the yield of the offered rate of our 30-day commercial paper, averaged over the number of business days in the month. The maximum Turbo rate is 20%. The maximum Market rate is 8%.

### Voluntary Contributions

FAs may be eligible to make pretax Voluntary Contributions of up to 50% of the total deferred awards granted, as long as the combined deferred awards and Voluntary Contributions do not exceed \$100,000.

### Examples:

Total Deferred Awards	Maximum Allowable Voluntary Contributions
\$50,000	\$25,000
\$80,000	\$20,000
\$125,000	\$0

- The Voluntary Contributions will earn interest at the Turbo rate during years 1 – 4 and Market rate for years 5 – 10, compounded annually.
- Voluntary Contributions will be deducted monthly from the Financial Advisor's production compensation. Once elected, a Voluntary Contribution cannot be stopped or changed for that calendar year.

### Vesting

- Firm Contributions contributed to UBS PartnerPlus and Turbo and Market interest earned on firm contributions, will vest 20% per year, beginning after six years, through year 10.
- Voluntary Contributions vest immediately. Turbo and Market interest earned on Voluntary Contributions will vest 20% per year, beginning after six years, through year 10.
- Firm Contributions and Turbo and Market interest vest immediately upon death or disability and are eligible for continued vesting upon a Qualifying Separation.

### In-Service Distributions

- All vested firm and Voluntary Contributions and related vested Turbo and Market interest will generally be paid to the Financial Advisor after the 10-year anniversary of each year's contribution.

For detailed information, please refer to the PartnerPlus Plan Document in the FA/NFA Compensation section of the firm's intranet.

<sup>1</sup> In the event of a conflict between the summary of the Plans set forth in this document and the Plan Documents, the Plan Documents will control. Capitalized terms herein have the meaning ascribed to them in the applicable Plan Document.

**UBS Financial Advisor Deferred Award Plan ("Deferred Award Plan")<sup>2</sup>***Base Plan*

Contributions to the Deferred Award Plan include the deferred portion of the Asset and Credit Line Growth Award and recurring revenue award for those Financial Advisors not eligible for the UBS PartnerPlus Plan.

The Deferred Award Plan will credit interest on a tax-deferred basis, compounded annually at the following rates for each year's contributions:

- Year 1 through 4 = "Turbo rate," defined as four times the "Market rate"
- Years 5 through 10 = "Market rate"

**Note:** Currently, the Market rate reflects UBS's short-term cost of funds rate, defined as the yield of the offered rate of our 30-day commercial paper, averaged over the number of business days in the month. The maximum Turbo rate is 20%. The maximum Market rate is 8%.

*Vesting*

- Firm Contributions and the related Turbo and Market interest will vest 20% per year, beginning after six years, through year 10.
- Firm contributions and Turbo and Market interest vest immediately upon death or disability (as defined in the Financial Advisor Deferred Award Program plan document) and are eligible for continued vesting upon a Qualifying Separation.

*In-Service Distributions*

All vested firm Contributions and related vested Turbo and Market interest will be paid to the Financial Advisor after the 10-year anniversary of each year's Contribution.

**Additional Information Relating to PartnerPlus and the FA Deferred Award Plans***Financial Condition of the firm*

- Participants in UBS PartnerPlus and UBS Financial Advisor Deferred Award Plans are "unsecured" creditors of UBS Financial Services Inc., the sponsor of these plans. This means that, in the event of its insolvency, claims of participants would be subordinate to "secured" creditors, if any, and participants' firm and Voluntary Contributions and the Market and Turbo interest credited thereon would be at risk.
- The PartnerPlus Offering Memorandum, which is available to FAs eligible to participate in the PartnerPlus Plan, describes in greater detail the terms of the Plan applicable to Voluntary Contributions. You should carefully review the entire PartnerPlus Offering Memorandum, including each exhibit, before deciding whether to make a Voluntary Contribution. The PartnerPlus Offering Memorandum may be found at <http://financialservicesinc.ubs.com/staticfiles/pwsladobe/StatementoffinancialCondition.pdf>.

UBS AG's annual and interim reports submitted to the Securities and Exchange Commission, which also contain information about our financial condition, may be found at [http://www.ubs.com/1/e/investors/sec\\_filings.html](http://www.ubs.com/1/e/investors/sec_filings.html).

Refer to the PartnerPlus Brochure and the PartnerPlus Plan Documents for detailed information not provided in this summary. Copies of the PartnerPlus Brochure and Plan Documents can be found in the *FA/NFA Compensation* section of the firm's intranet. If there is any difference between this summary and the Plan Document, the Plan Document will govern. Capitalized terms herein have the meanings ascribed to them in the Plan Document.

<sup>2</sup> In the event of a conflict between the summary of the Plans set forth in this document and the Plan Documents, the Plan Documents will control. Capitalized terms herein have the meaning ascribed to them in the applicable Plan Document.

# Wealth Protection Programs

## Transitioning Financial Advisor Program

The Transitioning Financial Advisor Program enables qualified Financial Advisors leaving the business to smoothly transition client accounts to other Financial Advisors and continue to receive compensation from those accounts for up to five more years, subject to the terms and conditions of the Transitioning Financial Advisor documents.

Generally, transitioning FAs must meet the following criteria in order to be eligible to receive the full benefits of the TFAP:

- Have a partnership with one or more FAs for over one year. Partnership must be on all accounts to be transitioned.
- 10 years of continuous UBS employment
- Transitioning FA must have a minimum trailing 12-month gross production of \$200,000 and a minimum of \$25m in total assets

Transition percentage is based on firm LOS, % Wrap fee production & Total Assets (maximum 180% - see table below).

### Transitioning FA Highlights

- Ability to receive an advance payment (max. 25%)
- To assist in the book transition, FAs may be eligible to remain as active employees for up to two years
- Transition payout applied over time frame to include pre- and post-separation from employment periods.
- Payments based on actual production during program.

- Survivor Benefits (Transitioning FA not covered by "Financial Advisor Survivor Benefit" program described below)

### Receiving FA Highlights

- Credit for 100% of Gross Production, Net New Assets and Assets Under Control
- Net production will be adjusted over the term of the arrangement to a maximum of 100 percentage points of the transition percentage
- Potential to earn annual five percent bonuses (totaling 25 percentage points over the life of the agreement) for growing the book

### Other Details

- Both Transitioning and Receiving FA must be in good Legal and Compliance standing.
- Transition payout rate applied to the actual production generated over five years.
- Both Transitioning and Receiving FA must execute agreements prepared by the firm.
- Production that is either non-compensable (e.g. small household, small ticket, account fees (RMA, BSA, IRA)) or paid at a flat rate (e.g. credit lines) will not be included when determining the payout to the Transitioning FA.
- For further details, please refer to the Transitioning Financial Advisor Program brochure located in the *FA/NFA Compensation* section of the firm's intranet.

Transitioning Financial Advisor Program							
UBS LOS	% of Prod.	% Wrap	% of Prod.	Total Assets (In Millions)	% of Prod.	Deal Range UBS LOS	% of Prod.
10 – 14 yrs.	30%	0 – 9.99%	0%	\$ 0 – \$ 19.99	0%	10 – 14 yrs.	30 to 150%
15 – 19 yrs.	40%	10 – 19.99%	10%	\$ 20 – \$ 39.99	10%	15 – 19 yrs.	40 to 160%
20 – 24 yrs.	50%	20 – 29.99%	30%	\$ 40 – \$ 79.99	20%	20 – 24 yrs.	50 to 170%
25 yrs. +	60%	30 – 39.99%	40%	\$ 80 – \$ 99.99	30%	25 yrs.+	60 to 180%
		40 – 59.99%	50%	\$ 100 – \$ 149.99	40%		
		60%+	60%	\$ 150 – \$ 199.99	50%		
				\$ 200+	60%		

**Financial Advisor Survivor Benefit**

The Financial Advisor Survivor Benefit is a corporate-paid benefit that provides financial protection to an FA's beneficiary in the event he/she passes away while still producing for the firm. In the event of death, the plan pays the beneficiary 75% of 12-month's gross production (determined 12/31 of prior year). The maximum payout is \$2.5 million. The payout will be made to the beneficiary in two taxable payments over two years.

To be eligible, FA's must have a minimum production of \$500,000 and have completed three years of continuous service with the firm immediately prior to death. Recipients of the accounts previously serviced by the FA will be subject to a payout rate of grid - 15 on the transitioned book for three years.

- The above is a summary of the Financial Advisor Survivor Benefit Plan document. For more detailed information, please refer to the plan document located in the WM Americas section, Human Resources/Working at UBS/FA/NFA Compensation section of the firm's intranet. In the event of a conflict between the above summary of the Financial Advisor Survivor Benefit Plan document and the plan document it self, the plan document will control.

# Expense Allowance Programs

## Pacesetter Expense Allowance Program

Recognition Council members are eligible for a discretionary expense allowance for the purpose of promoting business. This allowance is generally considered nontaxable; however, certain expenses may be reported as taxable income.

The year 2010 Pacesetter expense allowance granted to each Recognition Council member is as follows:

	Pacesetter Expense Allowance
Chairman's Circle (Chairman's Council five consecutive years)	\$10,000
FAs > \$3 million in production	\$10,000
All other Chairman's Council FAs	\$5,000
President's Council FAs	\$3,500
Pacesetter (prior to July 2003 NYSE registration date)	\$2,000
Pacesetter (post-July 2003 NYSE registration date)	\$1,500

Business expenses eligible for reimbursement include, but are not limited to, business meals and entertainment, travel and lodging, computer leasing, subscriptions and seminars.

## Business Builder Program

Business Builder is a mandatory program in which adjustments are made to the standard grid rate applicable to you in anticipation of business expenses to be incurred during the year. Generally, Business Builder is available to pay for extra services and business expenses (beyond the essential services that UBS provides) on a pre-tax basis.

### • Baseline Mandatory Grid Reduction

Financial Advisors with 2009 production of at least \$300,000 are subject to the following 2010 *Baseline Mandatory Grid Reduction*.

Prior Year's Production	Mandatory Current Year Grid Adjustment
\$2MM+	10 bps
\$750K - \$1.99M	15 bps
\$300K - \$749K	20 bps
< \$300K	0 bps

For 2010, your *Business Builder* expense allowance will be based on an adjustment to your Grid and credited monthly from March through December. Reimbursements under the program cannot exceed the amounts available.

### • Business Plan Development Amount

In addition, Branch Managers will determine the appropriate "Add-On" Grid Reduction based on the review of the business plan and business mix for their Financial Advisors.

The minimum BOM Add-On is 25 bps. BOMs can also select add-ons in the following increments: 25, 50, 75, 100 and 150 bps. Chairman and \$5MM producers only are eligible for a 250 bps or 350 bps Business Builder grid reduction based on Branch Manager determination (using the business plan).

When determining the "Add on", the Branch Manager will consider such factors as your business plan for the coming year, location, production goals, past performance and the historical level of expenses of the branch. The Branch Manager will also consider other relevant factors including input from you. This decision is subject to review by UBS's Human Resources Department. The decision of the Branch Manager (as approved by UBS's Human Resources Department) is final and binding on you.

## General

Refer to the Pacesetter and Business Builder Brochures and the Pacesetter and Business Builder Plan Documents for detailed information not provided in this summary. Copies of the Brochures and Plan Documents can be found in the firm's intranet in the WM Americas section in Human Resources/Working at UBS/FA/NFA Compensation. If there is any difference between this summary and the Plan Document, the Plan Document will govern. Capitalized terms herein have the meanings ascribed to them in the Plan Document.



## Length of Service Policy

Your LOS, both in the industry and at UBS, may affect some aspects of the Compensation Plan. Industry LOS is generally determined by your NYSE registration date. UBS LOS is determined by your date of registration with UBS. LOS for the year is calculated each January 1, based on the chart below.

NYSE or UBS Registration Date	2009 LOS	2010 LOS	2011 LOS
July 1, 2010 – June 30, 2011	–	–	0
July 1, 2009 – June 30, 2010	–	–	1
July 1, 2008 – June 30, 2009	0	1	2
July 1, 2007 – June 30, 2008	1	2	3
July 1, 2006 – June 30, 2007	2	3	4
July 1, 2005 – June 30, 2006	3	4	5
July 1, 2004 – June 30, 2005	4	5	6
July 1, 2003 – June 30, 2004	5	6	7
July 1, 2002 – June 30, 2003	6	7	8
July 1, 2001 – June 30, 2002	7	8	9
July 1, 2000 – June 30, 2001	8	9	10
July 1, 1999 – June 30, 2000	9	10	11
July 1, 1998 – June 30, 1999	10	11	12
July 1, 1997 – June 30, 1998	11	12	13
July 1, 1996 – June 30, 1997	12	13	14
July 1, 1995 – June 30, 1996	13	14	15
July 1, 1994 – June 30, 1995	14	15	16
July 1, 1993 – June 30, 1994	15	16	17
July 1, 1992 – June 30, 1993	16	17	18
July 1, 1991 – June 30, 1992	17	18	19
July 1, 1990 – June 30, 1991	18	19	20
July 1, 1989 – June 30, 1990	19	20	21
July 1, 1988 – June 30, 1989	20	21	22
July 1, 1987 – June 30, 1988	21	22	23
July 1, 1986 – June 30, 1987	22	23	24
July 1, 1985 – June 30, 1986	23	24	25
July 1, 1984 – June 30, 1985	24	25	26

For internal use only

19

# Arbitration

With the exception of claims for injunctive relief or the denial of benefits under the firm's disability or medical plans, you and UBS agree that, unless prohibited by applicable law, any disputes between you and UBS including claims concerning compensation, benefits or other terms or conditions of employment and termination of employment, or any claims for discrimination, retaliation or harassment, or any other claims whether they arise by statute or otherwise, including but not limited to, claims arising under the Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, as amended, The Age Discrimination in Employment Act of 1967, The Worker Adjustment and Retraining Notification Act, The Employee Retirement Income Security Act, The Americans With Disabilities Act, The Equal Pay Act of 1963, The Americans With Disabilities Act of 1990, The Family and Medical Leave Act of 1993, The Sarbanes-Oxley Act, or any other federal, state or local employment or discrimination laws, rules or regulations, including wage and hour laws, will be determined by arbitration as authorized and governed by the arbitration law of the state of New Jersey. Any such arbitration will be conducted under the auspices and rules of the Financial Industry Regulatory Authority ("FINRA"), except that you may elect to arbitrate discrimination claims under any federal, state or local law (including claims of harassment and retaliation under those laws) before JAMS pursuant to

its Employment Arbitration Rules and Procedures and subject to the JAMS Policy on Employment Arbitration Minimum Standards of Procedural Fairness. Subject to the parties' right to appeal or seek vacatur under applicable law, you and UBS agree that the decision of the Arbitrator(s) will be final and binding on the parties and that the Arbitrator(s) is authorized to award whatever remedies would be available to the parties in a court of law. You and UBS further agree that any disputes between you and UBS shall be heard, as set forth above, by FINRA or JAMS<sup>1</sup> without consolidation of such claims with any other person or entity. By agreeing to the terms of this Compensation Plan to the fullest extent permitted by law, you waive any right to commence, be a party to or an actual or putative class member of any class or collective action arising out of or relating to your employment with UBS or the termination of your employment with UBS. Notwithstanding anything to the contrary herein, you and UBS further agree that if, for any reason, the waiver of your right to commence a class or collective proceeding within or outside of an arbitration proceeding is found to be unenforceable by a court of competent jurisdiction, the agreement to arbitrate contained in this Compensation Plan shall no longer apply and any class or collective claim shall be filed, litigated and adjudicated in a court of competent jurisdiction, and not in arbitration.

<sup>1</sup> Information about JAMS, including its Employment Arbitration Rules and Procedures, can be found at [www.jamsadr.com](http://www.jamsadr.com). If you choose to arbitrate before JAMS, then, where permitted by law, you only shall be responsible for those arbitration fees and costs that you would have been required to bear in a FINRA arbitration.

# Conclusion

The Financial Advisor Compensation Plan, effective 1/1/10, summarizes many, but not all, of the elements of your compensation.<sup>1</sup> The continuation of your employment after receipt of this plan and/or acceptance of benefits hereunder shall be deemed your consent and agreement to its terms. This Plan is not a promise, an agreement or a contract that your employment is guaranteed or that the policies and practices that are described will always be the same. Except for the arbitration provision on page 19 and the terms and conditions set forth therein, UBS Wealth Management Americas, in its sole discretion and without notice, may add to, modify, change or rescind any of the policies, practices, procedures or guidelines in whole or in part at any time. In the event of changes, you may be notified via e-mail and/or any such change will be posted on the firm's intranet under *Personal/ HR / My HR Location – USA / FA/NFA Compensation*. UBS also reserves the right, in its sole and absolute discretion, to lower payout rates in general, or for specific FAs if they demonstrate negligence or carelessness or otherwise fail to comply with firm rules, standards, practices and policies and/or applicable law, including the rules and regulations of applicable SROs.<sup>2</sup> In addition, the FA will not earn production or fees on transactions that the firm determines should be reversed, that a customer or other third party fails to pay the firm or consummate or that do not comply fully with the terms of this Plan, all applicable laws, rules and policies, and the rules associated with the specific product then in effect.

Compensation (including but not limited to monthly production payouts and annual awards) is not earned until adjustments are made. Furthermore, compensation is not earned and deferred

compensation is not earned and does not vest unless the transactions comply with governing laws, rules of the self-regulatory organizations and UBS Wealth Management Americas policies. Each FA will receive a minimum compensation amount determined by the state in which he/she works. This amount is a guaranteed draw against: (1) unearned production payouts and (2) other compensation earned by the FA.

A guaranteed draw is a guaranteed, predetermined lump-sum amount paid to you every month as an advance against your anticipated unearned production payout including fees. In addition to the draw, you also receive a monthly check for earned payout. If your earned production payout is equal to or less than the draw, you do not receive a separate check. Sums paid solely to bring your earned payout to the guaranteed minimum are not carried forward into subsequent months, but rather are unrecoverable. Note, however, that all authorized adjustments are carried forward and recoverable (including draw amounts that exceed the guaranteed minimum amount).

Compensation under this Compensation Plan is paid on a monthly basis, unless deferred as set forth herein. Unless prohibited by applicable law, upon termination of your employment for any reason, UBS will pay you any compensation earned under this Compensation Plan on the next scheduled production related payout date for its current employees. Unless otherwise stated in this Compensation Plan, in order for an FA to earn production compensation on revenue, such revenue must be posted to the FA's number on or before the last business day of the month following the FA's termination.

<sup>1</sup> For example, referrals between business units may be subject to individual compensation arrangements.

<sup>2</sup> UBS, in its sole discretion, may also impose other types of discipline including, without limitation, termination of employment, unpaid suspension for one or more working days and/or other forms of written, oral and, where lawful, monetary discipline